

Keynote Address to the Congress of California Seniors

- *California State Treasurer Phil Angelides* -

Thursday, May 13, 2004

It is my honor to be here today with the Congress of California Seniors. I thank you for your life-long commitment to the principles of fairness, to the principles of democracy, and for coming up here today and fighting for the right kind of California.

Today I would like to talk to you about what I think are the big challenges in front of us – not just as Californians, but as Americans – to live up to the best legacy of who we have been so that, in the 21st Century, this state of 35 million people can continue to sit atop the global economy.

This is a pivotal time for California. We have been through some trauma. We have been through some turmoil. But here and now, we have a chance to fight for the kind of California and America that will truly live up to the promise of California and the American dream.

I am going to talk today about the very principles that have made us the strongest economy, the richest society in the history of this earth. And I'm going to talk about those principles because they are important to how we conduct ourselves, how we fight for a fair economy, and how we fight for a fair budget.

When I think of our great state and I think of how we came to the front ranks of the global economy at the end of the 20th Century, how we became the sixth largest economy in the world, how we became a state with an annual economic output of \$1.4 trillion dollars – I think of a state that was willing to invest in its future and that understood that when we gave opportunity to everyone regardless of class, regardless of color, regardless of station in life, we all prospered. It has really been the driving dream of America. It has been the notion that if we use our wealth today in prudent ways, we can create wealth and broaden the opportunities for those in the future.

So here in this golden state, we invested in a remarkable university, state college and community college system to train the best work force in the world – 108 community colleges, 23 state colleges, and 9 soon-to-be 10 universities that literally put us at the front ranks of the global economy. We invested in transportation, urban mass transit and roadways

to move people to work and goods to market. We invested in a water project that allowed the very Southern California economy to exist as it does today.

This is our great legacy. We have been smart enough to use our collective wealth, our collective will for broad opportunity. And it's really a notion that was born in the 1930s in the wake of a depression that devastated much of this country. This notion that this could not be a country just for the privileged few, that it needed to be an economy for the many has made us the strongest society and economy across this globe. Because in the end, the American economy is strong when everyone has a chance to participate in it.

The other fundamental principle I believe is at stake here is one of fairness. And let me say it very clearly, I am someone who comes out of the private sector. For 15 years before I was Treasurer, I proudly built my own real estate investment company here in the Sacramento region. I believe deeply that we have been lucky to have a private sector in California – in America – unmatched in terms of creating jobs and wealth and new products and new technologies that have literally put us atop the global economy. But we should never forget that we also thrived because we made the investments in the public goods, the public foundation that allowed for broad participation in our economy.

Much of our history in this country has been a struggle between the ordinary folks of this nation and this state who work hard every day and the powerful elite – in fact, the very founding of our country was rooted in a concern about the abuse of privilege and power and money. The American Revolution was not just a fight for independence from England, it was a fight against the privileges granted by King George to an elite few – the social rank, the business contracts, the monopolies to the detriment of farmers and artisans and merchants.

When Andrew Jackson took on the Bank of the United States, he took it on and made sure there wasn't in this new democracy, an undue concentration of power to the detriment of the people working across this country. When Teddy Roosevelt – that great Republican President – led this nation at the dawn of the 20th Century, he railed against the “malefactors of great wealth,” not because he disrespected free enterprise, but he knew that free enterprise could only succeed if it was in the context of an economy where everyone participated and where there were honest and open and transparent financial markets. And of course, Franklin Roosevelt, who presided over our country at a time when the very notions of democracy and

free enterprise were at risk, understood that we had to fight hard against what he called the “economic royalists” for an economy that included everyone.

When I think about my role as Treasurer and fighting for a fair economy, I think about what Franklin Roosevelt once said about this great struggle between the productive capacity of ordinary Americans and the power of the privileged few. He said “the savings of the average family, the capital of the small businessman, the investments set aside for old age, other people’s money, these were the tools which the new economic royalty used to dig itself in. Today we stand committed to the proposition that freedom is no half-and-half affair. If the average citizen is guaranteed equal opportunity in the polling place, he must have equal opportunity in the marketplace. These economic royalists complain that we seek to overthrow the institutions of America, what they really complain of is that we seek to take away their power.”

We are now in a nation where there has never been a greater concentration of wealth. It exceeds what our founding fathers ever imagined. We’re in a country now where 5 percent of the families control 57 percent of the assets of this country. We’re in a nation where the wealthiest 1 percent hold more wealth and assets than the bottom 90 percent. We’re in a country where the ratio between CEO pay was 42 to 1 to the average worker in 1980. By 1990 it was 85 to 1, and by 2000 it was a staggering – and I might say obscene – 531 to 1.

Now what’s at stake here? What’s at stake here is the very notion of a broad opportunity economy, which I state here is the very notion of plutocracy against free enterprise. I am a capitalist and I believe in the end we will only succeed if we have a capital system that’s open and honest and transparent and rejects the crony-capitalism that we’re seeing in Washington today – a capital system that allows everyone to be productive and grow the wealth of this nation. And I believe what’s at stake today is the very notion of democracy.

Now you know I’m Greek-American, so I get to quote ancient Greek philosophers without reservation. Aristotle, centuries ago said that the single greatest threat to democracy was poverty – the absence of a shared stake, the separation of the very few from the very many.

What’s at risk in America today is the strength of our economy and free enterprise. And over the last three years, we saw an assault on the very values of free enterprise in this country as we endured the greatest wave of corporate scandals since the market crash of

1929. We've all been witness to fraud and abuse and the collection of power and money in a way that's been destructive of our economy and the faith and confidence of millions of investors. Since the spring of 2001, we've seen a stock market where millions of Americans lost literally trillions of dollars because of this fraud and abuse from investment banks to the corporate boardroom. We saw a wave of scandal where CalPERS and CalSTRS alone lost \$850 million dollars on the WorldCom fraud. We've seen an economy where tragically tens of thousands of workers in this country have seen their jobs wiped out, their life savings wiped out and their pensions wiped out – all to the detriment of what makes this country strong.

Some of you may remember that after the crash of 1929 a whole generation of Americans never put their money at risk in the stock market again because they saw it as a casino, an inside game rigged for the big guys on Wall Street. And we suffered greatly in this country. It was not until 1954 that the Dow Jones Industrial Average exceeded its October 1929 peak. People were afraid to put their money at risk. The great thing about American capitalism is when people put their money at risk for market risk. It's a terrible thing when people are afraid to put their money at risk because there is honesty risk. And so in that context, in the wake of all that's happened and because of a strong belief about what made this country strong, I as your Treasurer, along with others, have been leading the fight – as shareholders, as leaders of pension funds – to clean up our financial markets so that we can live true to the promise of the founding fathers and have open and honest financial markets that will make our country strong.

This is an important fight. Just like the budget fight is important for fairness and the strength of our economy. What we've done in the arena of corporate reform is fundamentally important. And as Treasurer, I'm standing up not just for the American economy and what makes us all strong, but I am standing proudly up for the two million Californians who depend on CalPERS and CalSTRS, the first and third largest pension funds in this country, for their retirements.

So what have we done? I stood up in July of 2002 with Attorney General Eliot Spitzer, my good friend from New York, and what we did is we said that we're going to impose new rules on investment banks who want to do business with the State of California. This was after a lot of these investments banks in their research reports told ordinary investors that all

kinds of stocks were great while they were typing the private e-mails that said they were “dogs” – so that they could make money for their investment banking clients while retail investors were bilked. And what we said here in California is ‘no more.’ If you want to do business with the State of California, if you want to do business with CalPERS, if you want to do business with CalSTRS, you’re going to live up to the highest standards of disclosure and ethics. We set down rules and they’ve come along.

And after we were bilked by WorldCom, we didn’t just sit by and say ‘well that happens in America’ – because it doesn’t happen in America and it shouldn’t happen in America. We sued those investment banks, all those lenders who participated with WorldCom and with Enron in their fraud, who raised billions of dollars from ordinary investors and pension funds to loan to these companies when they knew better. And, I’ll tell you right here and right now that we’re going to pursue those cases to the very end until we get the money of the taxpayers and the pensioners of California back.

In September of last year, along with all of you, I watched the incredible stories about how Dick Grasso had managed to find a way to pay himself \$188 million dollars for running the New York Stock Exchange – an insult to the very notion of free enterprise. As I said earlier, I come out of the private sector. I have a lot of respect for what entrepreneurs, inventors, and risk takers bring to our society. I think of Thomas Edison, he deserved to make a lot of money – he invented light. I think of Microsoft – they created a whole new technology. But there is something wrong in America when there is an elite managerial class that shows up each and every day and just for being on the job they get \$20 million dollars a year. Robert Glynn at PG&E – \$20 million last year – for what? Throwing a company into bankruptcy and pulling it back out? And Richard Grasso, \$188 million dollars for running an institution that’s 200 years old. So I stood up on September 16th and I said for the good of the American economy and our financial markets, Dick Grasso has got to go. And within the next 24 hours he was gone!

And when the revelations came out earlier this year that the mutual funds, the place where seniors and young people and families put their money, that they were allowing inside trading, market timing, late trades – where again the insiders got special deals while the 84 million Americans who invest in the market were left behind, we said ‘no mas.’ And Eliot Spitzer, Richard Moore the Treasurer of North Carolina, Alan Hevesi the Comptroller of

New York and I set down new rules that said if you are a mutual fund that wants to do business with California and New York and North Carolina, you'd better clean up your act now.

And let me just say that in the wake of all this, there is still more work to do.

But incredibly – incredibly what's now happening is the forces of reaction are fighting back. In the same way that the economic royalists took on Franklin Roosevelt, in the same way that the trusts tried to take on Teddy Roosevelt, the forces of reaction and their allies are fighting back. They say we've done too much to protect ordinary investors. They say we've gone too far. They've forgotten or never cared about thousands of people at Enron who lost their jobs, their life savings, their pensions, their family's hope.

So the California Republican party has now said that I've gone too far, I'm pursuing a "social agenda that exceeds the requirements of the New York Stock Exchange." The California Business Roundtable and the California Chamber of Commerce have said that they're particularly concerned that some organizations are attempting to engage in the proxy process. What they mean in plain English is that shareholders, pension funds are attempting to participate in corporate elections. And *The Wall Street Journal's* editorial page has now said that we've gone way too far, to "absurd" new lengths to protect shareholders.

Well, let me say something to the economic royalists, the malefactors of great wealth and their allies. We have just begun to fight for America, for the American economy, for economic fairness and for what makes this country great.

I am going to stand up for ordinary investors, I'm going to stand up for an economy of fairness, and I'm going to stand up for financial markets that are open and honest and transparent because it's those very notions that bring strength to American free enterprise.

Now, this fight is one that goes to the heart and soul of who and what we are. And we have work to do. We're still in a country where the gap between what CEOs get and workers get is too much. We're still in a country where ordinary shareholders, 84 million Americans don't have enough say about what goes on with the corporations you and I own. We're still in a country where we have to ensure broad participation in our financial markets. So the fight will go on and the more they resist the more we will push forward.

These principles of fairness are also at the heart of the budget debate. Some of you heard me speak yesterday. And let me just say it again today. When we talk about a budget, it's

just not a bunch of numbers in a book, it's not a green eye shade exercise. What it is, it's a real debate about values, what makes an economy strong. I believe a budget has to adhere to the principles of fiscal responsibility, the same as corporations – we expect them to be honest and transparent and real in their numbers. The budget needs to be fair and it needs to protect investments in our future. And this Governor's budget meets none of those tests. It flies in the very face of the notion that we should sacrifice today, use our wealth today to create wealth for future generations.

I am proudly the child of immigrants. I am proudly from a tradition where our grandparents and our parents were willing to do anything, anything at all to make sure that our children have a better shot. And this Governor's budget – that continues to borrow against the future, that continues to rob from education and transportation and health care, that loads debt on the next generation of Californians is not true to the best notions that built our economy. This Governor's budget asks only for sacrifice from the disabled, from the aged, blind and disabled, from young students who need and want to go to college so they can ensure that California remains the strongest economy on this earth. It doesn't try to close one corporate tax loophole, doesn't ask for a dime from one millionaire. It is not a fair budget and we're going to stand up and we're going to fight against it.

A budget that turns away 22,000 young people who are qualified from our colleges, a budget that takes \$2 billion dollars away from transportation projects that build our economic strength is not a budget that builds the economy and protects investments which make us all strong. That's what this budget debate is about.

Make no mistake, this is a critical moment in California and American history. The true story, not the mythology thrown up by the right wing ideologues and their media allies in the last 20 years – the true story of this country's great success is one of yes, private sector genius and innovation and risk, but also of collective will to invest in all of us. That's what has made America the single greatest economy in this world's history, the richest society on this earth. It is up to you and I to stand up now and fight for those notions – which means the fight for corporate reform goes on and here in California the fight for a fair budget goes on. I am with you, I will stand with you and together we will forge a great future for California and America in the 21st Century.

Thank you for having me. Thank you.
